



Music Piracy

Organised Crime

and

Terrorism

3rd edition



representing the
recording industry
worldwide

Contents

• Introduction	2
• Organised Crime	2
• Characteristics of Organised Crime	3
• Organised Crime and Music Piracy	3
• Links to Terrorist Groups	3
• The Music Industry and Law Enforcement: A Challenge	4
• The Nature and Extent of Music Piracy	4
• A Strategy	4
• Interpol	5
• Conclusion	5
• Precis of recent examples indicating organised crime involvement in music piracy	6
▶ Europe (West)	6-8
▶ Europe (East)	8-9
▶ North America	9
▶ Middle East/S.W. Asia	9-10
▶ Russia/CIS	10
▶ Latin America	10-12
▶ South East Asia	12-13
• What is IFPI ?	14
• Contact details	14

Music Piracy

Organised Crime

and Terrorism



Introduction

This paper examines the concept of organised crime, the relevance of this to piracy of music industry intellectual property rights and the need for concerted and joint action by the industry, governments and law enforcement. It provides examples from around the world of seizures and arrests of music pirates connected with organised crime gangs. Increasingly, evidence is available to show that these criminals are not only connected with intellectual property crimes but are also involved in illegal immigrant smuggling, terrorism, extortion and extreme violence. Firearms are regularly found in the possession of these criminals who evidently need these weapons to protect their burgeoning profits and who will not shrink from using them. This is a worrying trend not only for IFPI investigators but also for all law enforcement agencies.

Organised Crime

The following definition of organised crime is used by the UK National Criminal Intelligence Service:

“Organised crime constitutes any enterprise, or group of persons, engaged in continuing illegal activities which has as its primary purpose the generation of profits, irrespective of national boundaries.”

The music industry adopts this definition for the purpose of examining organised crime involvement in music piracy.

The characteristics typical of organised crime groups, and their activities, are listed on page 3 and may be present in any group, or activity, to a greater or lesser degree. The presence, or absence, of these characteristics will allow a qualitative analysis to be conducted as to the extent of involvement of an organised crime group and/or organised crime activities, in intellectual property crime.

An appreciation, and common understanding, of organised crime will enhance cooperation between the music industry, governments and law enforcement. This will promote the effective use of limited resources against organised crime groups, which if unchecked, have the potential to undermine state and commercial institutions.

Characteristics of Organised Crime Groups and their Activities

- Collaboration by a minimum of three people.
- Criminal activity which has, or is intended to be, continued over a prolonged period.
- Commission of serious criminal offences, or offences which, taken as a whole, are of considerable importance.
- Motivated by the pursuit of profit or power.
- Operations are international, national, or regional.
- Uses violence or intimidation.
- Uses commercial or other business like structures.
- Engages in money laundering.
- Exerts influence upon politics, the media, public administration, judicial authorities or the economy.

Organised Crime and Music Piracy

There is absolutely no doubt that in many situations the theft of intellectual property amounts to organised and serious crime. The nature and context of this activity requires closer examination.

The manufacture and distribution of illegal music carriers is, in many instances: an “enterprise... engaged in continuing illegal activities, which has as its primary purpose the generation of profits.” Violence, intimidation, and/or corruption are encountered, and in a number of countries international and domestic intellectual property rights legislation is repeatedly and flagrantly breached. This is illustrated on pages 6-12 by reference to documented cases.

It should come as no surprise to governments and law enforcement agencies that the prospect of huge profits for a small capital outlay and very small potential penalties in a poorly regulated environment is highly attractive to the criminal, who will exploit it to the full. The manufacture and traffic of illegal music products, both domestically and internationally, is often an organised crime activity.

Groups engaging in such activities may be established hierarchical criminal organisations, such as Triads and La Cosa Nostra, or they may be less formalised and only associate for the duration of a particular enterprise. The evidence of organised crime involvement is incontrovertible. Confirmed links to international drug trafficking, illegal firearms, money laundering, massive tax and revenue evasion

and more recently the funding of terrorist activities have been established. In some developing areas whole economies are being distorted internally leading to loss of revenue and the failure of legitimate domestic enterprise to flourish.

Links to Terrorist Groups

The most extreme form of organised crime affecting society today is terrorism. The clandestine nature of terrorist organisations requires large sums of money to maintain operatives in the field and for the purchase of arms and explosives. Evidence is available to prove that these groups are involved in the fabrication, distribution and sale of counterfeit music and other intellectual property infringing material to raise funds for their operations.

In the United Kingdom and the Irish Republic the investigation of terrorist crimes committed by both sides of the sectarian divide has provided a great deal of intelligence about the operations of those groups. There is no doubt that a significant proportion of their funding stems from the sale of counterfeit product. Intelligence gained from IFPI investigations has also uncovered connections with organised crime gangs involved in music piracy in South America who are suspected of being linked to Middle Eastern terrorist organisations. More recently examples of CDs and CDRs carrying propaganda messages from extremist groups have been found in Argentina, Mauritius, Pakistan and Paraguay. It is certain that these discs emanate from the same source as much illegal music in those regions.

The Music Industry and Law Enforcement: A Challenge

Governments, judicial systems, and law enforcement agencies seek to define, identify and tackle organised crime, which is recognised as having the potential to destroy the fabric of society. Serious and organised crime groups must be accorded a priority proportionate to the growing threat and increased resources must be allocated to the fight against organised crime.

Given the range of the responsibilities of governments, judicial authorities and enforcement agencies and the limit of their resources it is inevitable that these public guardians do not always identify and pro-actively tackle organised crime activities. It is clear that there is a responsibility upon those industries exposed to organised crime activity to alert and educate the authorities. The music industry is a case in point.

The Nature and Extent of Music Piracy

The advent of the compact disc radically altered the nature of music piracy. There is massive manufacture and international traffic of illegal CDs:

.....
Annual pirate sales approach 2 billion units, worth an estimated US\$4-5 billion, while globally, 1 in 3 recordings is a pirate copy. Total optical disc manufacturing capacity (video and audio CDs and CD Roms and DVD) - stands at well over 20 billion units, having quadrupled in the past five years.
.....

Manufacturing capacity massively exceeds legitimate demand. This creates a business environment ripe for exploitation by criminal syndicates. Production costs may be as little as US\$0.35, whilst retail value normally exceeds US\$2.50 and can reach US\$15.00. Given that the pirate producer has few or none of the overheads associated with genuine production, the profit margin is substantial.

Intellectual property crime, which now also takes place in the digital and electronic environment, has become much more significant in recent years. The challenge to law enforcement agencies to cope with serious and organised criminal activity in this environment encompasses all optical disc and new media-related businesses and activities. In partnership with business, law enforcement can

achieve much in protecting the public from what is an insidious and growing threat - **the theft and destruction of property and businesses through counterfeiting and falsification.**

The potential market for, and profit from, music piracy is enormous and growing. However, the existing criminal sanctions for breach of copyright and trademark legislation bear little relation to the extent and nature of the criminality involved and are of minimal deterrent value. The huge illegal profits made are inevitably used to entrench the position of the pirates, to secure manufacturing and distribution networks through violence, intimidation and corruption, and to subvert state institutions and processes.

.....
Profits are then frequently reinvested in other serious criminal enterprises such as drug trafficking and money laundering.
.....

For this reason recourse to more weighty criminal charges e.g. racketeering, conspiracy or fraud should be considered. This approach has been successfully employed in a number of jurisdictions against organised crime.

The challenge for all intellectual property industries is to educate relevant law enforcement agencies as to the criminal potential of piracy. In certain jurisdictions music piracy is already an organised crime activity and this is not confined to domestic markets. In those jurisdictions in which music piracy is not yet clearly an organised crime activity, the potential profits will surely attract hierarchical and entrepreneurial criminal organisations.

A strategy

A new anti-piracy strategy was established by IFPI in 1997 based on a policy of zero tolerance. This was followed by the formation of a global regionalised structure to investigate music counterfeiting, copyright and trademark infringement and to take action against offenders. A fully resourced organisational structure capable of a global response has now been established. This investment by the music industry has already paid dividends. Relations with other optical disc industry groups and with international law enforcement agencies continue to develop very positively. However if the initiative is to succeed, law enforcement agencies must recognise the criminal potential of international music piracy and increase the resources dedicated to combat it.

The law enforcement response has to be proportionate and cost-effective. It cannot be so unless the problem is recognised and fully appreciated. The role of IFPI must be to assist law enforcement agencies in appreciating and tackling the problem on a national and international basis.

Governments and law enforcement agencies must confront these responsibilities:

- ▶ to develop strategic intelligence on intellectual property crimes;
- ▶ to assess whether such criminal activity constitutes organised crime in their territory or contributes to organised crime activity elsewhere in the world;
- ▶ to ensure that the resources deployed to combat piracy are proportionate to the existing and the potential problem.

The role of the recording industry is to provide governments and law enforcement agencies with an overview of the current and potential problem and to encourage them to confront the issues. There is an industry responsibility to support enforcement through developing strategic and tactical intelligence and, where appropriate, initiating civil actions.

Interpol

Interpol endorsed the view that intellectual property crimes should be of major concern to law enforcement agencies around the globe during a debate on Intellectual Property Crime at the 69th Annual General Meeting in Rhodes in October 2000. For the first time Interpol recognised that they should pass information regarding these crimes between member countries and liaise with rights holders. They concluded that:

“It is an area where there is increasing evidence of greater organised crime activity due to the imbalance between the rewards and the risks. This imbalance is due to several factors ranging from lack of international coordination, insufficient resources, inconsistent legislation and insufficient sanctions.”

In November 2001, Interpol held its first ever conference dedicated to the fight against international intellectual property crimes. Conference delegates included police, business and customs in what was a unique tri-partite event.

Interpol will look at ways of taking practical anti-piracy action with information, support and assistance from rights holders.

Conclusion

In May 1998 the Foreign Ministers of the **G8** Group of major industrialised democracies said:

“We recognise that intellectual property related crime is a major and growing problem which should be of concern to all. We agree on the importance of effective action against such crime in our own countries. We agree to explore opportunities for better co-operation and exchange of information between governments and intellectual property rights holders so as to facilitate more effective enforcement of intellectual property rights.”

The Heads of State and Governments at the **G8** Summit recognised that:

“Building partnerships with industry will help guarantee that the most up to date crimes are being tackled by the most up to date methods.”

We in the music industry will continue to work hard to ensure that this kind of support is translated into effective practical action.

The music industry has identified the involvement of serious and organised crime in piracy.

Both the industry and law enforcement agencies have a common interest in combating music piracy, in particular those areas that are controlled by organised crime. The objective should therefore be to build partnerships with enforcement agencies at all levels. This will depend upon recognition of mutual professionalism and commitment.

The international music industry is determined to protect itself from the depredations of organised crime, and to meet its wider social responsibility of cooperating with the authorities to eliminate opportunities for organised crime to profit and flourish.

We are committed to investing substantial resources to this end. We believe that all responsible governments and law enforcement agencies, both international and national, will wish to cooperate in eliminating organised crime from our industry and our societies.

PRÉCIS OF RECENT EXAMPLES INDICATING ORGANISED CRIME INVOLVEMENT IN MUSIC PIRACY

► EUROPE (WEST)

England

Two Russian asylum seekers were jailed for four years in February 2001 for what has been described as one of the “*most sophisticated fraud networks ever encountered in the UK*”. IFPI investigators discovered that the Russian syndicate was using the profits gained from the sale of counterfeited music CDs to finance a massive credit card fraud. Compact discs were smuggled into the UK to one of several safe houses. A network of couriers travelling on false and forged passports was used to smuggle the discs into the country.

The ringleaders used a network of Russian or immigrant waiters operating throughout London to steal details of customers' credit cards. This was done by means of a battery-powered card reader either carried on a belt or behind a counter. This information could then be downloaded onto a computer and subsequently used to create a cloned card. At the time of their arrest over 30,000 stolen credit card numbers were found on a computer belonging to the suspects and enquiries revealed that over £196,000 worth of goods had been unlawfully obtained. During searches of their addresses police found 10,000 blank credit cards, stamps for affixing holograms to the cards and imprinting machines for stamping the card numbers. It is estimated that if all the cards had been manufactured and used they

could have caused losses to the banks of at least UK£2,000,000. ■

Germany

In what has been hailed as the largest-ever seizure of illegal sound recordings in the history of anti-piracy investigations in Germany, authorities successfully intercepted 500,000 counterfeit compact discs at Frankfurt International Airport in January 2000. The discs, which were of Ukrainian origin and valued at approximately US\$2,500,000, had been transshipped using a network of shell companies to disguise the origin of the product.

This case has once again illustrated the international nature of global music piracy, and has exposed another circuitous route for the illegal traffic of such goods manufactured in Eastern Europe, to South America, via Germany and the British Virgin Islands. The

continued need for co-operation at all levels with law enforcement, and the benefits derived from such interaction, is well demonstrated by this case. ■

Germany/Holland

German Police raided a clandestine CD factory in September 2001, which, it is believed, had been producing CDs for at least 12 months. This plant, which has been described as Europe's largest underground CD factory, was actually making CDs when police entered the premises. Thousands of illegal CDs were seized during the raid and several stampers recovered. During a coordinated action a number of suspects were also arrested in Holland. These suspects are believed to be responsible for ordering the manufacture and subsequent distribution of the discs. ■



Germany/Holland: Machinery inside the raided clandestine plant.

Greece

Police arrested two men in August 2000 for carrying out a string of bomb attacks. They were members of a protection racket using CDR piracy to fund serious crime. Apart from a gun, ammunition and explosives, quantities of CDRs and CDR burning equipment were recovered following related searches. One of the two men had previously been arrested in March 2000 following a police raid, which led to the seizure of over 500 CDRs and duplicating equipment.■

Holland

The biggest ever crackdown against the illegal CD trade in Holland was announced in September 1999 with the arrest of suspects and raids on houses which resulted in huge quantities of cash and some firearms being recovered (see photo below). It is estimated that the criminal organisation had generated more than 4.3 million CDs in the last four years with a street value of US \$50 million. 80,000 CDs a month were pressed. It was reported that such was the scale of production that *"it seriously affected new investment and employment levels"*.



Holland: Money and firearms linked directly to piracy.

Tackling this level of organised crime demanded an innovative response and led, in mid 1997, to a joint investigation by the special investigation department Buma Stemra and the National Crime Squad. Investigators were intent on dismantling the organisation, from financiers to wholesale distribution, through criminal conviction and confiscation of the criminal proceeds.

At the conclusion of the criminal case the ringleaders were sentenced to three years imprisonment and assets totalling US\$ 1.6 million cash, thirty vehicles, luxury goods and jewellery were confiscated.■

Ireland

In December 2000 the Garda (Irish Police) and Irish Customs officers investigating the smuggling of diesel fuel between the Republic and Ulster, searched a remote farmhouse where they discovered over 20,000 optical discs suspected of containing infringing material. Whilst still at the premises they were attacked by men dressed in combat clothing and carrying handguns and rifles who stole the discs from them. A subsequent investigation led to the arrest of the gang and the seizure of a huge number of counterfeit music CDs, CDR burning

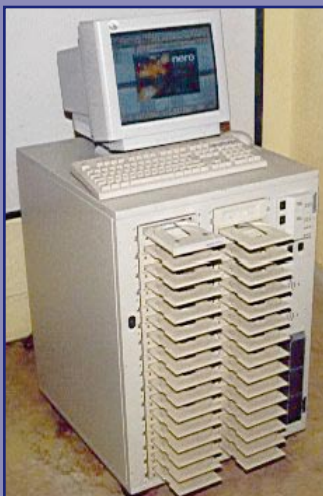
equipment and associated artwork. One of those arrested was a person suspected of being a senior figure in the Provisional IRA during the 1970s and 1980s. ■

Italy

Anti-piracy representatives of AFIMI, the local music industry group, have reported increasing numbers of raids and large seizures of illegal music CDs. During 1999 and 2000, Mafia sponsored and protected gangs of criminals throughout were responsible for this piracy and such illegal activity has become so serious that it has been the focus of attention of an anti-Mafia prosecuting officer for the area.

According to information provided by the General Attorney of Naples, 100 Camorra gangs are active in that area. They deal in drugs, arms, extortion and counterfeiting. Recent intelligence and interviews with police 'supergrasses' has confirmed that various 'clans' are investing the money obtained from the distribution of drugs and cigarettes in the counterfeiting of CDs. A considerable amount of capital has been used on purchasing industrial CDR burners with a capacity of more than 2,000 units per day. The connection with Eastern Europe mafias is allowing the 'clans' to import large quantities of counterfeit CDs from countries such as Bulgaria and the Ukraine. ■

Two people were arrested in Rome in March 2000 after a police investigation unveiled extensive traffic of stolen cars with counterfeit documents. The organisation was also involved in the production and distribution of pirate CDRs. A scanner was used to reproduce both CD covers and counterfeit documents along with fake police seals used to certify



Italy: CDR replicating equipment seized. Fiscal Police examining product after the seizure.

the cars' licenses. During a search the police found six stolen cars, 800 CDs, CD burners, personal computers and scanners, blank CDRs and jewel boxes. ■

Investigations by the Guardia di Finanza have revealed that Italian organised crime gangs are actively involved in counterfeiting CDRs in Naples. During raids in March 2001 authorised by the anti-Mafia District Attorney investigators found a covert factory with 189 CDR burners, which represented, at that time, the largest single CDR site in Europe. Also recovered was an industrial printing machine capable of printing 50 inlay cards per minute together with over 8,000 recorded CDRs and 100,000 blank discs. Documentary evidence detailing the importation and distribution of over 300,000 blank CDRs during the preceding week was found at the same site. A total of twelve persons were arrested. ■

Malta

Acting on information received from IFPI the Maltese Police led by an Assistant Commissioner raided premises in July 2001 used for the wholesale manufacture of

CDRs. During the raid 20 burners were found and approximately 50,000 CDRs. The main suspect was found in possession of a 9mm pistol loaded with six rounds of ammunition. ■

Spain

Investigators in Spain uncovered a sophisticated and widely dispersed organised gang utilising Bengali illegal immigrants. A total of 68 persons were arrested in various cities in Spain during May 2001 including the owner of a copy shop responsible for the wholesale production of inlay cards.

The raids, which were conducted by the Guardia Civil at thirty locations, recovered 247 CDR burners and 104,000 CDRs. The Bengali suspects were effectively treated as slave labourers, being provided with all necessary equipment, an apartment to work from and a small salary.

The principal organisers provided the lower ranking syndicate members with the equipment and utilised courier companies to deliver the finished products to different provinces around Spain. ■

▶ EUROPE (EAST)

Bulgaria

At around 4am on 23 March 2000 near the town of Svishtov, following information received from NSCOC (National Service Counter Organised Crime), the Bulgarian Border Police stopped a vessel sailing under a Bulgarian flag. The ship was transporting goods from the Ukrainian port of Reni to the Yugoslavian port of Prahovo. During the search, a secret compartment, disguised as an extra fuel tank, was discovered. In this compartment, the police found 220 cardboard boxes containing 212,424 pirate CDs worth an estimated US\$500,000. The CDs were sourced to two replication plants in the Ukraine and this was pursued with the appropriate authorities. In Bulgaria, the police have initiated criminal proceedings against the ship's owners, who were previously known to them. ■

Emil Dimitrov-Makarona a Bulgarian national with a background in illegal CD production and smuggling was found murdered in January 2001 in Sofia. Makarona, who was shot in the head, is believed to have upset his former partners whom he suspected of stealing from him, by disrupting their supplies of polycarbonate.

Investigators believe it was these partners who ordered his death. Two Georgian nationals arrested on 29 October 2001 for involvement in the supply of narcotics, are suspected of involvement in this murder. ■

Lithuania

During an operation conducted by the Department for Combating Organised Crime of the Interior Ministry of Lithuania, in January 2000, 111,000 CDs with international, Polish and German repertoire, and 1,200 kg of inlay cards were seized at a rented house in the capital Vilnius. A group of nine persons was detained in connection with customs, tax, organised crime offences and offences of infringement of intellectual property rights. According to data provided by the Department for Combating Organised Crime, the group's monthly turnover amounted to approximately USD \$215,000. The group was a well organised distribution enterprise, with clearly defined structure and responsibilities. It had been very active in the infringement of intellectual property rights, sourcing most of its product from Ukraine. ■



Lithuania: Thousands of counterfeit CDs of Eastern European origin seized in the UK.

adequate legislation to protect intellectual property rights, trade sanctions were imposed in January 2002. Information suggests that organised crime groups from the region are involved in much of the pirate production, exportation, tax and revenue avoidance and associated money laundering, which have done much to harm the reputation of the legitimate industry. ■

pirate CDs, 27,500 pirate cassettes 300,000 jewel boxes, 120,000 blank CDRs and 1,000,000 preprinted inserts and tray cards were seized. The daily production capacity was assessed to be 15,000 CDRs per day. ■

Los Angeles Sheriff's department searched a commercial printers in July 2001 and arrested three persons implicated in the illegal production of CDs. During the search approximately 18 million CD inlay cards were found as well as over 11,000 completed CDs and other equipment for finishing the product. ■

Ukraine

During 2000 the Ukraine was widely recognised as being one of the biggest exporters of pirate CDs internationally. According to IFPI estimates, the level of piracy in the Ukraine stood at over 95%. As a direct result of the Ukrainian government's inability to pass

► NORTH AMERICA

United States

Suffolk County, USA was the scene of a CDR replication plant, capable of creating as much as US\$100 million in illegal business. The investigation by the RIAA anti -piracy unit came to fruition in August 1999 when police officers were suspicious of the activities of two men in the vicinity of commercial premises. The behaviour of these suspects and the arrival of 'the boss' led to entry to the premises. Eight illegal Mexican immigrants were found and 104 individual CD burners, 26,000 completed

► MIDDLE EAST/S.W. ASIA

Israel

A joint investigation by Israeli Police and the local IFPI group led to the arrest of 12 persons involved in music piracy in September 2001. Tens of thousands of CDRs were seized along with CDR burners. Some of the twelve suspects had previously been involved in illegal production of music in Bulgaria, Russia and France. ■



Los Angeles, USA: Inside the printing facility.

Egypt

Inspectors from the Ministry of Culture and local police officers raided a warehouse in Tanta City in September 2001 and found at least 300,000 inlay cards for music cassettes and over 6,000 cassettes. The inlay cards were destined for different producers in Egypt and other Middle Eastern countries. The cassettes featured the latest releases of local artists. During the raid two suspects threatened the police and inspectors from the Ministry of Culture with a knife and sulphuric acid. ■



Egypt: Counterfeit inlay cards and cassettes.

Pakistan

Large numbers of pressed CDs are being shipped by courier from this country witnessed by the numbers of persons stopped by customs in divers countries and found in possession of such discs. Test purchases recently carried out in Pakistan also reveal that CDRs are available with video images of mutilated persons from various zones of conflict. One

such disc contains footage with both Arabic and English voiceover. Examination of these films reveals them to be carrying a propaganda message with an anti-American theme. ■

► RUSSIA/CIS

Moldova

A Ukrainian company exported more than 500,000 CDs using a Moldavian company. The putative recipients were companies in Austria, Latvia, USA and Russia. Investigations revealed that some of these companies and recipients were false. Storage facilities in Kishinev the capital of Moldova were raided in December 2000 and 558,000 CDs with an estimated value of more than \$US 250,000 were seized. ■

Russia

IFPI Regional Office for Russia/CIS with the co-operation of the Economic Crime Department of the Russian Ministry of Interior put a stop to the illegal activity of an under-ground Moscow based company involved in the pirate CD distribution covering Russian Federation and European territories. The raid in January 2000 resulted in the confiscation of 650,000 pirate CDs of international repertoire and around 2 million pirate inlays in one of the company's premises. ■

Anti-piracy staff from the IFPI Regional Office for Russia/CIS in collaboration with the Federal Security Service, Moscow regional city police conducted a complex series of investigative operations to expose an organised crime group, which illegally produced CDs at a CD plant in Noginsk (Moscow region). It is reported that illegal armed units in Chechnya were financed from part of the profit of this pirate activity. ■

Twelve members of a Russian organised crime group were sentenced to three years imprisonment in June 2001. They had been involved in illegal CD manufacture in Bulgaria and distribution in Russia since 1997 and it is estimated that over 2 million CDs were smuggled and distributed by them. The head of the group created more than twenty companies, which were engaged in the illegal importation of CDs. The suspects were arrested following a lengthy surveillance operation, which culminated in 400,000 CDs being recovered. ■

► LATIN AMERICA

Paraguay

Acting on a confidential lead, APDIF, the local anti-piracy organisation, accompanied by Paraguayan law enforcement authorities raided a fully operational CD plant in July 1999 with an estimated daily capacity of 50,000 illegal CDs. The seizure included 400,000 illegal CDs, CD processing machines, 80 boxes comprising computer towers and 340 infringing stampers. This represented a multi-million dollar investment by organised criminals. Thirteen people were detained: six Chinese, six Brazilians and one Paraguayan. The cost of the plant and the processing machines and products serve to illustrate the enormous resources available to the criminal enterprise and the cosmopolitan mix of team members.

In a related raid, a further 100,000 CDs were seized. Despite threats and bribes a destruction order was granted and the property burned in the presence of the Minister of Interior. ■



Paraguay: Firearms seized in raid on underground CD plant.

In Ciudad del Este, in the largest pirate CD plant located to date in Latin America, state of the art replicating equipment valued at nearly USD \$5.5 million and over 400,000 pirate CDs were seized by the Paraguayan authorities in November 1999. The sophistication of the syndicate involved was illustrated by the elaborate security employed at the plant, which included the construction of a secret compartment to conceal the main production facility. An earlier raid in July 1999 had proved unsuccessful as the concealed entrance was not discovered.

Two of the principal suspects, both ethnic Chinese fled the country and international arrest warrants were issued following searches of their residences, which led to the seizure of automatic weapons and ammunition. Additional raids were subsequently conducted by the Brazilian Police leading to the seizure of more firearms, the suspects travel documents and evidence linking them to the plant in Paraguay. The suspects are still at large and once again this case shows the involvement of organised crime groups from South East Asia in music piracy in South America. ■

Customs authorities intercepted a convoy of twelve lorries on the Argentine/Paraguay borders in

April 2001. A search of the lorries revealed 4.8 million blank CDRs as well as computers, hardware, software, printers, cigarettes, sunglasses and clothing. All these goods, which were on route to Ciudad del Este, had been smuggled into Paraguay by making a false declaration as to the contents of the lorries.

The main suspect operated a complex web of import and export companies operating behind front men. One of these men had previously been convicted in his absence in Bolivia for smuggling illegal music products. He also operated a large number of CDR burning sites and had long been suspected of being involved in producing infringing music product. ■



Paraguay: Convoy of trailers stopped by the authorities (main photo). The lorries being searched (inset).

Peru

The enormous scale of CDR production in Latin America is again demonstrated by a series of ten raids carried out in Lima. Five hundred police officers were engaged in the searches during which 470,000 CDRs, 160 CDR burners, 535,000 cassettes, and 4.5 million inlay cards were seized. ■

Mexico

More than 1,200 armed police officers led a raid in August 2000 on the Tepito Market, Mexico, an area notorious with organised crime syndicates for the sale of pirated music and other counterfeit goods. In the strongest display yet of Mexico's determination to resolve the problem of piracy, some 30 people were arrested, and 60 trucks were loaded with seized pirate music CDs and cassettes. The operation follows a series of recent actions in the Tepito region, including the seizure of 500,000 illegal audiocassettes from a warehouse in April, and the discovery in February of two clandestine laboratories. These were operated by a syndicate which now faces extensive criminal charges under Mexico's recently introduced intellectual property legislation. ■

Police raided eleven houses, three of which were linked by interconnecting passages and tunnels, disguised by false walls, in October 2001. Inside they discovered a massive counterfeiting operation. In total five persons were arrested during searches, which yielded 235 CDR burners, over 1 million blank CDRs and 512,000 pirated CDRs together with over 1,000,000 inlay cards. This illegal plant had the potential capacity to produce over 14 million CDRs annually. It is believed that this crime syndicate has invested the profits from piracy into other activities such as narcotics and prostitution. Four of the persons arrested were found to be in possession of loaded 9mm pistols. During the searches a car was deliberately crashed into a police barricade and the driver arrested. This man, an associate of the others, had been sent to the address to create a diversion to allow the others to escape. He was found to be in possession of an AK47 assault rifle and has now been charged with attempted murder. ■

Operation 'Green Light' led to 68 search warrants being executed in a series of coordinated nighttime raids in October 2001. The searches in the district of Tepito, Mexico City were executed at this time to avoid risks of serious civil disturbances. Despite the fact that no persons were arrested during the raids all the objectives were met and resulted in the seizure of 860,000 pirate music CDRs, 130,000 pirate music cassettes and other miscellaneous items, 3 CD-R reproduction laboratories, 5 printing laboratories, and 4 warehouses in which raw material was assembled. All this equipment was successfully dismantled. ■

► SOUTH EAST ASIA

Hong Kong

Following the seizure of US\$ 300 million worth of pirate product in December 2000 by the Hong Kong Independent Commission against Corruption (ICAC) investigations have continued to secure evidence against the syndicate involved. During the original seizures a large number of stampers were seized and these were found to contain software, films and games as well as music products. Investigations have revealed links to crime syndicates in North and South America as well as other South East Asian countries. ■

Indonesia

A raid conducted by Indonesian Police in Central Java in February 2001 highlighted the lengths to which an illegal business will go to protect their operations. Premises were protected by a series of large concrete walls and a reinforced concrete floor. Within the perimeter walls were found large numbers of poisonous snakes. These measures delayed the entry into the factory allowing the suspects to destroy much of the evidence of illegal production. Nevertheless large amounts of infringing material were found together with five production lines and a large amount of polycarbonate. ■

In February 2001 West Jakarta Police broke into a heavily fortified factory and discovered four production lines three of which were in operation. During the search the raiding team were forced to abandon the premises after a local armed militia group sought to engage the police in a fire-fight in an effort to recover the premises. ■

Malaysia

During March 2001 a raid on an optical disc manufacturing plant that contained three production lines two of which were operational, found that both lines were producing CDs, which contained **pornographic material**.

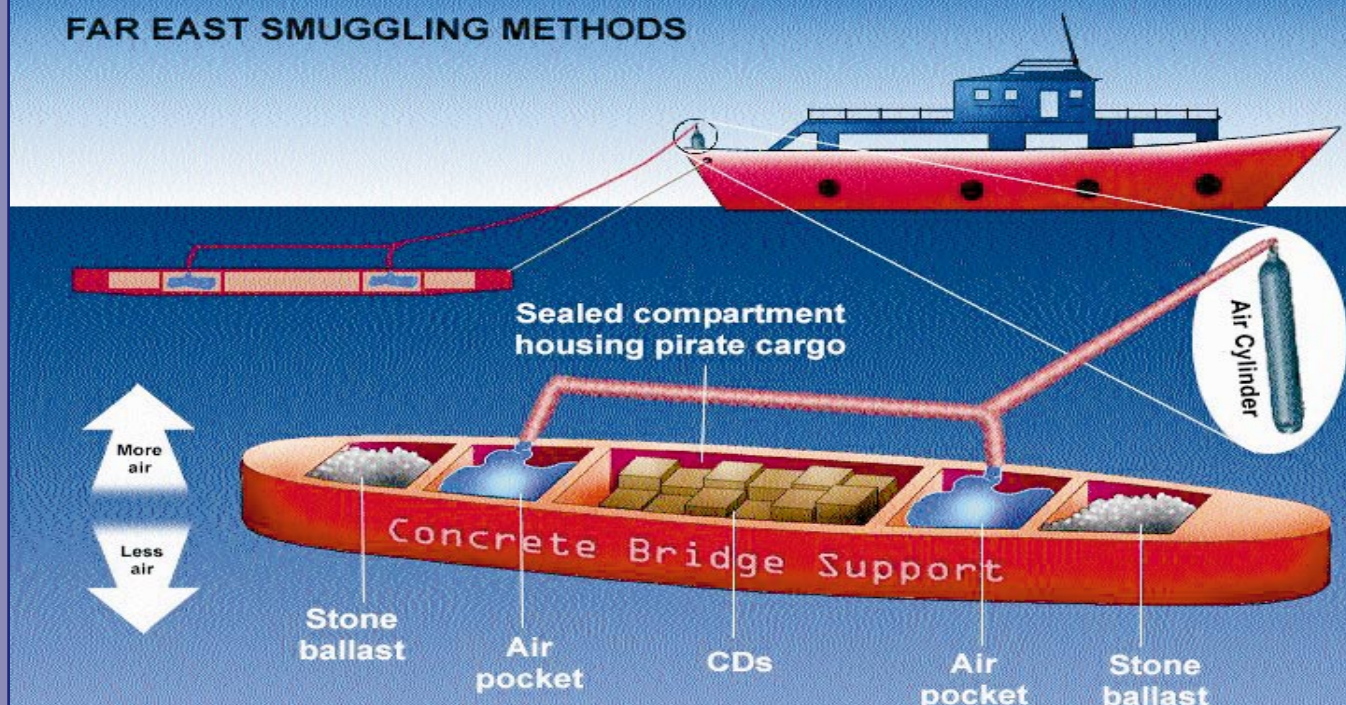
During the search 15 stampers were recovered all of which contained international and Chinese repertoire. In addition large quantities of film and pornographic discs were seized. ■

Philippines

A raid was conducted by the Philippines authorities in October 1999 at a clandestine CD production facility in Manila resulting in the seizure of 53,000 pirate music discs, 396 stampers and one replication and printing line. Subsequent inquiries by IFPI Regional Enforcement Office have identified a Hong Kong based syndicate responsible for the financial and logistical establishment of the plant and a Macao-based company involved in the production of the pirate stampers. The whole operation has revealed strong links to a Hong Kong-based organised crime operation. ■

National Bureau of Investigation Agents and IFPI investigators raided a suspect CD factory in September 2001 and found two replication lines in operation producing two compilation albums. A search of the premises revealed a total of 466,740 pirate CDs containing both local and international music. In addition 377 stampers were recovered, all containing music recordings. ■

FAR EAST SMUGGLING METHODS



Macao: When opened the submarine was found to be carrying several hundreds of thousands of discs worth in excess of HK\$ 5 MILLION.

Macao

The IFPI South East Asia Regional Enforcement office had been working closely with the Macao authorities to help identify organised crime gangs smuggling pirate discs from the enclave to Hong Kong in April 1999. One of the methods discovered was the storage of pirate discs in sealed oil drums in underwater locations prior to collection by smugglers, a tactic frequently deployed by high level international drug traffickers.

However, the scale of their growing sophistication was illustrated by the interception of a Mainland Chinese fishing boat entering Hong Kong waters from Macao by Hong Kong Police. On close inspection the vessel was found to be carrying a submerged object. When the object was floated it was found to be a 14 metre concrete bridge support, which had been modified to transport pirate optical discs (see illustration above). When opened the 'submarine' was found to be carrying several hundreds of

thousands of discs worth in excess of HK\$5 million. The crew of the fishing boat was arrested. ■

Thailand

A special task force of the Royal Thai Police conducted 10 search and seizure operations during April and May 2000 in respect of 3 optical disc manufacturing plants and 7 storage facilities. IFPI investigators together with other copyright based organisations, participated in the raids which resulted in the seizure of in excess of 100,000 pirate optical discs. In addition, a total of 24 persons were arrested including Taiwanese, Malaysian and Chinese nationals who were found to be involved in the multi-million dollar operations of the plants. ■



Taiwan: Illegal firearms uncovered during raid.

Taiwan

A raid on residential premises in Kaoshung City in May 2001 revealed 70,000 suspected pirate discs. Most contained pornographic material but more significantly the search of the premises revealed several illegal firearms. These guns were Italian and German self-loading pistols. Five persons were arrested.

As a result of these arrests, further searches were carried out and small quantities of pirate product and further firearms seized.

At a third premises an illegal arms factory was discovered running alongside a sophisticated CDR facility. In total 17 rifle barrels, 7 modified handgun barrels, 10 shotgun barrels, 10 cartridge magazines, 50 bullets and other equipment were seized.

The main suspect in this case had previous involvement in music piracy. ■

What is IFPI?

IFPI is the organisation representing the international recording industry. Its membership comprises over 1400 record producers and distributors in 76 countries. It also has national groups in 46 countries. IFPI's international Secretariat is based in London and is linked to regional offices in Brussels, Hong Kong, Miami and Moscow.

IFPI's Mission:

- ▶ Fighting music piracy.
- ▶ Promoting fair market access and good copyright laws.
- ▶ Helping develop the legal conditions and the technologies for the recording industry to prosper in the digital era.
- ▶ Promoting the value of music in the development of economies, as well as in social and cultural life.

Music Piracy, Organised Crime and Terrorism is produced by the IFPI Enforcement Department

For further information:

**IFPI Secretariat
54 Regent Street
London W1B 5RE**

Tel: +44 (0)20 7878 7900

Fax: +44 (0)20 7878 7990

Email: info@ifpi.org

Web: www.ifpi.org

IFPI Enforcement



representing the
recording industry
worldwide

"Intellectual property related crime, such as music piracy, is a major and growing problem which should be of concern to all."

Excerpt from statement by G8 Foreign Ministers

IFPI's Enforcement Department offers support to investigators worldwide in the investigation of music piracy.

IFPI can provide:



Research and analysis using the most current techniques and databases for identifying criminal activity, international criminal associations, patterns and trends.

analysis@ifpi.org



Forensic examination of questioned samples; making comparisons against exemplars and control samples of legitimate optical discs, documentation and music products.

forensics@ifpi.org



Training in investigative techniques both reactive and proactive. The expert gathering of evidence and its submission to judicial authorities.

training@ifpi.org



Investigative & technical expertise, offering assistance and support throughout the investigative process, facilitating access to computer forensics and on-site inspection and examination of complex machinery.

techops@ifpi.org



Legal input on draft legislation and supplying model provisions relevant to anti-piracy enforcement.

info@ifpi.org

The IFPI enforcement team are all highly experienced crime investigators who are committed to a zero tolerance strategy.